

19 MAR 1981

MEMORANDUM FOR: Deputy Director of Central Intelligence

FROM: Harry E. Fitzwater
Director of Personnel Policy, Planning,
and Management

SUBJECT: Merit Pay

1. Action Requested: It is requested that you approve the recommendation contained in paragraph 4.

2. Background:

a. During 1980, study and consideration were given to the matter of whether or not the Agency should have a merit pay system similar to that required for most agencies by the Civil Service Reform Act of 1978 (CSRA). The Central Intelligence Agency (CIA) was exempt from the Merit Pay and Senior Executive Service provisions of the CSRA. On 24 September 1980, I recommended that the Agency not adopt merit pay at this time. (A copy of the memorandum containing this recommendation is attached.) Although the stated purpose of merit pay, i.e., to tangibly recognize and reward quality performance, is certainly a desirable objective, there are strong questions as to how successful such a program will be in a government environment, and, moreso, it will be at least a year or two before a valid determination can be made as to if and how merit pay is working in covered agencies of the government.

b. At the 1 October 1980 Executive Committee meeting, the Director of Central Intelligence directed that a merit pay system proposal be developed for Executive Committee consideration. On 24 October 1980, the Deputy Director of Central Intelligence instructed that the merit pay proposal include all GS-15s and use only periodic step increase and quality step increase funds, not any comparability pay increase funds. The staff study was completed on 10 December 1980. However, because of the transition activity already heavily under way by then in the Agency, the study was not forwarded to the Executive Committee for consideration.

3. Staff Position:

a. Since the transition has now been completed, I have reviewed the subject of merit pay, and continue to have serious reservations as to the wisdom of instituting a merit pay system for the Agency at this time. A very few agencies put their systems into effect in October 1980. The vast majority will not begin until October 1981. It will probably be well into 1982 before there are significant indications as to how the systems are working and with what results. By that time, the various agencies will begin to perceive positive and negative aspects of their own and other systems and will start to adjust their own systems accordingly.

b. There have already been indications of morale problems throughout the government because of concerns regarding the provisions of merit pay. Based on conversations I have had with a number of Agency employees, I note no enthusiasm for merit pay. It would be necessary for the Agency to commit extensive resources to implementing a merit pay program, and in the early stages of implementation we would risk making mistakes that we might not make if we wait and monitor the merit pay systems of other agencies, benefiting from their experiences. CIA would thus have the opportunity, should a later decision be made to have a merit pay system, to determine the more suitable approaches in designing and implementing an effective system that could work smoothly and have minimum resource costs.

c. Using GS-15s as a pilot group would prove nothing as far as testing merit pay for other grade groups in the Agency. Currently, of the GS-15s, only those in steps 1 through 4 are below the pay cap (\$50,112.50). Assuming a comparability increase of only 5 percent in October 1981, the step 4 salary would be restricted by the pay cap and the step 3 salary would be within \$220 of the pay cap. Thus only a very few GS-15s would be eligible for merit pay consideration, and the merit pay pool of funds would be extremely small.

4. Recommendation: It is recommended that the Agency not adopt merit pay at this time, but that the Office of Personnel Policy, Planning, and Management monitor Merit Pay Systems in other government agencies, preparing periodic reports, in order for Agency management to have a basis upon which to reconsider later whether CIA should have a Merit Pay System.

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Attachment

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APPROVED:

Deputy Director of Central Intelligence

Date